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In the Supreme Court
OF THE
United States

Supreme Court, U. S.
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OCTOBER TERM, 1946

No. 164

TOMLINSON I. MOSELEY, RALPH M. KEELE and KEELMO CO. (a corporation),
Petitioners,

vs.

UNITED STATES APPLIANCE CORPORATION,
Respondent.

PETITION FOR WRIT OF CERTIORARI
to the United States Circuit Court of Appeals
for the Ninth Circuit
and
BRIEF IN SUPPORT THEREOF.

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PETITION FOR WRIT OF CERTIORARI
to the United States Circuit Court of Appeals for the Ninth Circuit.

To the Honorable the Chief Justice and to the Honorable Associate Justices of the Supreme Court of the United States:

Your petitioners, Tomlinson I. Moseley, Ralph M. Keele and Keelmo Co. (a corporation) respectfully pray for a Writ of Certiorari to the United States Circuit Court of Appeals for the Ninth Circuit to review a judgment of that Court entered April 23, 1946. A Petition for Rehearing was denied on May 21, 1946.

In conformity with the provisions of Rule 38 of this Court, a certified copy of the record including the proceedings in and the opinion of the Circuit Court of Appeals in this case accompanies this petition. (Opinion R. 210; Decree R. 215; Order denying petition for rehearing R. 216.)

SUMMARY STATEMENT OF THE MATTER INVOLVED.

The judgment sought to be reviewed herein was rendered by the Circuit Court of Appeals for the Ninth Circuit holding that the act of licensing under a patent is itself an act of infringement and in addition refusing to reverse a judgment holding that the act of selling a patent unaccompanied by any manufacture, sale or use of the device thereof by the vendee of the patent constitutes an act of patent infringement. There is no dispute as to the facts. There is involved herein solely the following questions of patent law;

1. Is the act of granting a license under a patent in and of itself an act of patent infringement?

2. Is the transfer of title of one's own patent in and of itself an act of patent infringement?

3. Is the act of granting a license under a patent an act of contributory infringement of a third party's patent where the acts of the licensee in making, selling and using the licensed devices are legal because of invalidity of the third party's patent as to licensee?

This suit was brought by respondent against petitioners and against Beauty Shop Supply Co., Inc. for infringement of United States Letters Patent No. 1,984,585, which

was assigned to respondent by the petitioner Keele, the inventor. The device of the patent in suit relates solely to a simple rubber jacket to enclose a wound strand of hair and enable the application of stem (externally produced) thereto. Petitioner Keele subsequently invented a new chemical method of waving hair using, among other things, a simple rubber jacket somewhat similar to that of the patent in suit. It was only this jacket that was charged to infringe.

After his new invention petitioner Keele in concert with the petitioner Moseley developed the new invention to a commercial point and patented it. They disclosed the new patented invention to the Rilling-Arnao Company with a view to having the latter take a license under the patents thereon. These patents were assigned to the petitioner Keelmo Co., a corporation formed by petitioner Keele and Moseley, who owned all of the stock thereof. The corporation granted a license under said patents to the Rilling-Arnao Company, which license was the usual exclusive patent license agreement. It provided that Rilling-Arnao Company should have the exclusive rights to the inventions of the three patents (belonging to petitioner Keelmo Co.) for which it was to pay Keelmo Co. a royalty of 4% of the net selling price of the patented devices. (R. 118-119.)

There is and was no connection whatsoever between any of the petitioners and Rilling-Arnao Company (licensee) other than that of licensor and licensee. None of the petitioners had any stock or interest in the licensee, was not an officer or employee, or shared in its profits or losses, and none received any consideration from Rilling-

Arnao Company, money or otherwise, other than royalties paid to Keelmo Co. (R. 125.)

This suit was originally brought against petitioners and the Beauty Shop Supply Co., Inc., a selling agent of the Rilling-Arnao Company (licensee). After a trial, the District Court held the patent in suit non-infringed, from which judgment the respondent appealed. The Circuit Court of Appeals for the Ninth Circuit reversed the judgment of the District Court and held the patent invalid as to the Beauty Shop Supply Co., Inc. but valid as to the present petitioners. (R. 135.) The holding of validity as to petitioners was based on estoppel, the petitioner Keele having been the inventor of respondent's patent in suit. Having held the patent valid as to petitioners, the Court then proceeded to hold the accused device came within the language of the claims of respondent's patent in suit *and that the use thereof was an infringement.* (R. 64-66.)

Pursuant to the decree of the Circuit Court of Appeals, the trial Court entered its judgment in the usual form, dismissing the complaint as to Beauty Shop Supply Co., Inc., selling agent of the Rilling-Arnao Company (licensee), and referred the matter to a Master for an accounting of profits and damages resulting from the infringement by respondent.

The Master concluded that petitioners' "accountable infringement" consisted in "the Defendants contacting the Rilling-Arnao Company, turning over certain information to the Rilling-Arnao Company, and licensing the Rilling-Arnao Company to manufacture the device complained of." (R. 109.)

The District Court approved the Master's conclusion and in addition, on motion by respondent (R. 170), awarded respondent one-half of the sum of $4,000.00 received by petitioner Keelmo Co. from the sale of its patents to a third party. In the latter act the District Court not only adhered to its conclusion that the act of licensing in itself amounted to an infringing act but even extended this anomalous and unprecedented doctrine to make the sale of a patent also an act of infringement.

From this judgment by the District Court petitioners took their appeal. The Circuit Court of Appeals affirmed the decision of the District Court (R. 210) and specifically held:

> "The act of licensing Rilling-Arnao Company to manufacture and sell the infringing device was itself an act of infringement. In that act, all the appellants—Keele, Moseley and Keelmo Company—participated; for, though not named as parties to the license agreement, Keele and Moseley caused the agreement to be made. Keele, acting for himself and Moseley, commenced the negotiations which resulted in the agreement. Keele and Moseley formed Keelmo Company for the purpose of dealing with Rilling-Arnao Company. * * * Hence Keele and Moseley, as well as Keelmo Company, were liable as infringers."

Although the Circuit Court of Appeals did not specifically refer or state that the act of selling the patent unconnected with any acts of making, selling or using any devices whatsoever was an act of patent infringement, it tacitly approved the District Court's decision and judgment to that effect by refusing to overrule the same, although it was raised as error in the Circuit Court of Appeals. (R. 188.)

In holding that the act of licensing (selling a patent would be in the same category) constitutes an act of patent infringement, the Circuit Court of Appeals ignored the provisions of Sec. 4884 R. S. (U.S.C. Title 35, Sec. 40) which limits the grant of a patent to

> "a grant to the patentee, his heirs or assigns, for the term of seventeen years, of *the exclusive right to make, use and vend the invention* or discovery throughout the United States • • •."

In so holding, the Court ignored the well established law that to infringe a patent there must be a breach of the right to make, to use or to vend, and such holding is in direct conflict with the decision of this Court in *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336. It is also in direct conflict with the decisions in other circuits which have held that to infringe a patent there must be a breach of the right to make, to use or to vend. *George Close Co. v. Ideal Wrapping Mach. Co.*, 29 Fed. (2d) 533, 535 (C.C.A. 1.)

In so holding, the Circuit Court of Appeals (if it considered the act one of contributory infringement) ignored the well established doctrine of contributory infringement that before there can be a contributory infringement there must be a complete and direct infringement to which to contribute. In this case there was no such direct infringement in that (by the Circuit Court of Appeals' own holding), the patent in suit was invalid to all the world except these petitioners. (R. 135.)

For the reason that the questions involved herein cannot again arise in this matter between these petitioners and this respondent, conflict between Circuit Courts of Appeals on the matter is impossible.

JURISDICTION.

Under Sec. 240 (a) of the Judicial Code as amended by the Act of February 13, 1925 (28 U.S.C.A. Sec. 347 (a)), this Court has jurisdiction to review the judgment of the Circuit Court of Appeals herein. Judicial Code Sec. 41 (7) gives the District Courts of the United States original jurisdiction "of all suits at law or in equity arising under the patent, the copyright, and the trademark laws." The instant case is a suit to enjoin infringement of United States Letters Patent No. 1,984,585. The Circuit Court of Appeals had jurisdiction of petitioners' appeal (Judicial Code Sec. 129) from the decree of the District Court.

The judgment of the Circuit Court of Appeals for the Ninth Circuit was entered April 23, 1946. The Petition for Rehearing was filed within thirty (30) days thereafter, and such petition was denied on May 21, 1946 (R. 216), and this petition is filed within three (3) months thereafter (28 U.S.C.A. 350; R.S. Sec. 1008 as amended, Sec. 6, Act of September 6, 1916, 39 Stat. 727).

The discretionary power of this Court to grant a Writ of Certiorari is invoked upon the ground set forth in Rule 38, subdivision 5 (b) of this Court, in that the Circuit Court of Appeals for the Ninth Circuit has decided an important question of Federal Law which has not been, but should be, settled by this Court; and has decided a Federal question in a way probably in conflict with applicable decisions of this Court, to-wit, deciding that an act of granting a license under a patent without any participation in the act of making, selling or using a patented device under such license constitutes an act of infringement, which decision is in conflict with the decisions in *Carbice*

Corporation v. American Patents Development Corp., 283 U.S. 27, 51 S. Ct. 334, 336, and *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, 274.

QUESTIONS PRESENTED.

The decree of the Ninth Circuit Court of Appeals raises three questions of law.

(1) Does the mere act of granting a license under patents owned by licensor without any participation in the manufacture, use or sale of devices manufactured by the licensee in itself constitute an act of patent infringement by the licensor of a patent owned by a third party such as to make such licensor liable in damages for the royalty it has received from such licensee in view of Sec. 4884 R. S. (U.S.C. Title 35, Sec. 40) and the decisions of this Court in *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336, and *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, 274?

(2) Does the act of disclosing to a prospective licensee a model or models of an invention and then subsequently granting a license under patents owned by licensor without any participation by licensor in the manufacture, use or sale of the devices by the licensee constitute an act of infringement of a patent owned by a third party such as to make such licensor liable in damages for any portion of the royalties it has received from such licensee, particularly in view of the fact that by judicial decision the patent of said third party is invalid as to such licensee, making its acts legal?

(3) Does the sole act of selling one's own patent to another in and of itself constitute an act of patent infringement so as to make the vendor thereof liable to a third party patent owner and entitle the latter to a portion of the sales price received by the vendor where the vendee does not manufacture, sell or use any devices whatsoever?

REASONS RELIED UPON FOR THE ALLOWANCE OF THE WRIT OF CERTIORARI.

The discretionary power of the Court is invoked upon the following grounds:

(1) That issues of great moment to the public are involved in that by deciding that the mere act of licensing under a patent and the act of selling a patent in and of themselves constitute acts of infringement, the Circuit Court of Appeals for the Ninth Circuit has enlarged the monopoly created by a patent beyond that provided for by Sec. 4884 R. S. (U. S. C. Title 35, Sec. 40), and applicable decisions of this Court in that it confers rights upon a patent owner to exclude others from acts in addition to the acts of making, selling and using the patented invention.

(2) That the public's interest in the extension of the patent monopoly should be considered is evident from this Court's decisions in *Precision Instrument Mfg. Co. v. Automotive M. Machine Co.*, 324 U. S. 806; *United Carbon Co. v. Binney & Smith Co.*, 317 U. S. 228, 233; *Muncie Gear Works v. Outboard M. & Mfg. Co.*, 315 U. S. 759, 786.

(3) That the Circuit Court of Appeals for the Ninth Circuit has decided an important question of Federal law

which has not been directly, but should be, settled by this Court.

(4) That the Circuit Court of Appeals for the Ninth Circuit in holding that acts other than acts of participation in the acts of making, using and selling a patented device constitute acts of patent infringement, has rendered a decision probably in conflict with the decision of this Court in *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336, and *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, 274.

For these reasons it is respectfully submitted that this petition should be granted.

Dated, San Francisco, California,
June 3, 1946.

Respectfully submitted,
WALTER SLACK,
Attorney for Petitioners.

OSCAR ALVIN MELLIN,
LEROY HANSCOM,
Of Counsel.

CERTIFICATE OF COUNSEL.

WALTER SLACK says that he is the attorney for the petitioners herein; that he knows the contents of the foregoing petition and that the allegations thereof are true as he verily believes; and that the said petition is well founded and not interposed for delay.

WALTER SLACK.

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No.

TOMLINSON I. MOSELEY, RALPH M. KEELE and KEELMO CO. (a corporation),
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vs.

UNITED STATES APPLIANCE CORPORATION,
Respondent.

BRIEF OF PETITIONERS IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

OPINION OF THE COURT BELOW.

The opinion of the Circuit Court of Appeals for the Ninth Circuit is found in (R. 210.) The District Court made no Findings of Fact and Conclusions of Law as such but adopted its Order (R. 166) (approving the Master's report) as Findings of Fact and Conclusion of Law in conformity with Rule 52 and the Federal Rules of Civil Procedure.

JURISDICTION.

The grounds for jurisdiction are:

(1) The date of the judgment sought to be reviewed is April 23, 1946 (R. 215.) The Petition for Rehearing upon which review was sought was denied May 21, 1946 (R. 216), and this petition is filed within three (3) months thereafter (28 U. S. C. A. 350; R. S. Sec. 1008 as amended, Sec. 6, Act of September 6, 1916, 39 Stat. 727).

(2) The decree was rendered in a suit brought under the patent statutes of the United States to determine the issues of validity and infringement of Letters Patent issued by virtue of R. S. No. 4886, U. S. C. Title 35, Sec. 31.

(3) The statute under which jurisdiction of this Court is invoked is Section 240 (a) of the Judicial Code; 28 U. S. C. A., Sec. 347 as amended by the Act of February 13, 1925.

(4) The discretionary power of this Court to grant a Writ of Certiorari is invoked upon the grounds set forth in Rule 38, subdisivion 5 (b) of the rules of this Court, in that the Circuit Court of Appeals for the Ninth Circuit has decided an important question of Federal law which has not been, but should be, settled by this Court, and has decided a Federal question in a way probably in conflict with the applicable decisions of this Court, particularly the decisions in *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336, and *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, 274.

STATEMENT.

The facts are sufficiently stated in the petition under the title "Summary Statement of the Matter Involved."

STATUTES.

The statute involved in this case and which is necessary to be considered is as follows:

Sec. 4884 R. S. (U. S. C. Title 35, Sec. 40). "Every patent shall contain a short title or description of the invention or discovery, correctly indicating its nature and design, and a grant to the patentee, his heirs and assigns, for the term of seventeen years, of the exclusive right to make, use, and vend the invention or discovery (including in the case of a plant patent the exclusive right to asexually reproduce the plant) throughout the United States and the territories thereof, referring to the specifications for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof."

SPECIFICATION OF ERRORS.

The errors which petitioners will urge if the Writ of Certiorari is allowed, are that the Circuit Court of Appeals for the Ninth Circuit erred:

(1) in holding that the act of granting a license under a patent is itself an act of patent infringement;

(2) in failing to reverse the judgment of the District Court in holding that the disclosure of a new invention

to a prospective licensee and then granting a license under patents on said invention constitutes an act of patent infringement;

(3) in failing to hold that an act of licensing under a patent does not constitute an act of patent infringement under the law established by the decisions of this Court in *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336, and *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, 274, in that an infringement, whether direct or contributory, is essentially a tort, and implies the invasion of some right of the patentee, which rights of the patentee are limited to the rights of excluding others from manufacturing, selling or using a device coming within the scope of a claim of the patent in suit;

(4) in failing to hold that the act of selling a patent where the vendee of the patent does not manufacture or use or sell anything disclosed in the patent is not an act of patent infringement.

SUMMARY OF ARGUMENT.

The only violation of the monopoly created by the patent statutes is the unauthorized making, using or selling a device covered by the patent. Consequently, the bare act of granting a license under a subsequent patent without any participation in any act of making, using or vending cannot constitute an act of infringement. This is particularly true in that a patent confers no right to make, use or vend and therefore the licensor can confer no right to make, use and vend upon a licensee, and such

negative act of licensing cannot be considered a violation of a patentee's exclusive right to make, use and vend.

The Circuit Court of Appeals for the Ninth Circuit in holding that the act of licensing is itself an act of infringement ignored the statutory limitation on the grant of patents and the fundamental law as laid down by this Court and followed by other Circuit Courts of Appeals. Also, in so doing, the Circuit Court of Appeals in the instant case expanded the metes and bounds of the grant of the patent to include, in addition to acts of making, using and selling, the negative act of granting a license under a patent.

The questions involved here are of paramount public interest because the boundaries of the patent monopoly are concerned and if the decision of the Circuit Court of Appeals for the Ninth Circuit is permitted to stand, new legal precedent will be created, creating new rights and remedies for the benefit of patentees, and imposing new restrictions on the public in that it will impose new obligations on licensors and assignors and it will expand the hitherto well defined limits as to what constitutes the tort of patent infringement.

ARGUMENT.

I. THE ONLY VIOLATION OF THE EXCLUSIVE RIGHT OR MONOPOLY CREATED BY THE PATENT STATUTES AND CONFERRED UPON A PATENTEE IS THE UNAUTHORIZED MAKING, USING OR SELLING A DEVICE OR PROCESS COVERED BY A VALID CLAIM OF A PATENT DURING THE LIFE THEREOF.

As has been held many times, infringement is the unauthorized making, using or selling a device or process covered by a valid claim of a patent during the life thereof. It is a violation of the exclusive right or monopoly created by statute Sec. 4884 R. S. (U. S. C. Title 35, Sec. 40) and conferred upon a patentee. Obviously, there can be no infringement unless one of the acts of making, using or selling has been committed or participated in by the one charged to infringe.

This Court described infringement in the following language:

> "Infringement, whether direct or contributory, is essentially a tort, and implies invasion of some right of the patentee."
>
> *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336.

In the Circuit Court of Appeals for the First Circuit infringement was stated as follows:

> "To infringe a patent, there must be a breach of the right to make, to use or to vend."
>
> *George Close Co. v. Ideal Wrapping Mach. Co.*, 29 Fed. (2d) 533, 535 (C. C. A. 1).

Also, this Court in the case of *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, 274, held that an act which in itself was legal could not be

construed as an act of contributory infringement of a patent.

Clearly, therefore, the Circuit Court of Appeals for the Ninth Circuit in holding (R. 213) "The act of licensing Rilling-Arnao Company to manufacture and sell the infringing device was itself an act of infringment" ignored the statutory limitation on the grant of patents and the fundamental law as laid down by this Court and followed by other Circuit Courts of Appeals as in the cases referred to. In so doing, the Circuit Court of Appeals in the instant case expanded and enlarged the metes and bounds of the grant of a patent to include in addition to acts of making, using and selling, the negative act of granting a license under a patent (which in effect is only a grant of immunity from suit under that patent).

II. THE GRANTING OF A LICENSE, WHETHER EXCLUSIVE OR NON-EXCLUSIVE, CONFERS NO RIGHTS UPON THE LICENSEE OTHER THAN A PROMISE ON BEHALF OF THE LICENSOR THAT IT WILL NOT SUE ITS LICENSEE FOR INFRINGEMENT BECAUSE OF ITS OWNERSHIP OF LICENSED PATENTS. THIS IS A MERE NEGATIVE OR PASSIVE ACT AND CANNOT IN ANY SENSE BE CONSIDERED AN ACT OF MAKING, USING OR SELLING AND CONSEQUENTLY CANNOT BE CONSIDERED AN ACT OF INFRINGEMENT.

The patentee's right to make, use and sell his invention is not derived from the patent statutes. The only right conferred by the patent grant is the negative right to exclude others from making, using or vending the devices or processes embodying the invention of the patent.

In a very early case this Court said:

> "The franchise which the patent grants, consists altogether in the right to exclude everyone from making, using, or vending the thing patented, without the permission of the patentee. This is all that he obtains by the patent."
>
> *Bloomer v. McQuewan*, 14 How. 539, 548, 14 L. Ed. 532.

This doctrine was reaffimed by this Court in the case of *United Shoe Machinery Corporation v. United States*, 258 U. S. 451, 463, 42 S. Ct. 363, 367. In the latter case this Court said:

> "From an early day it has been held by this Court that the franchise secured by a patent consists only in the right to exclude others from making, using, or vending the thing patented without the permission of the patentee. Bloomer v. McQuewan, 14 How. 539. This definition of the rights of the patentee has been the subject of frequent recent decisions of this Court, and has been approved and applied in Bauer v. O'Donnell, 229 U. S. 1; Straus v. Victor Talking Machine Co., 243 U. S. 490; Motion Picture Patents Co. v. Universal Film Manufacturing Co., 243 U. S. 502; Boston Store v. American Graphophone Co., 246 U. S. 8."

Thus, it is clear that the petitioner Keelmo Co. as the owner of the three patents licensed to Rilling-Arnao Company (licensee) did not obtain the right to manufacture, use or sell the patented device by virtue of its ownership in such patents. Not having obtained such right from its patents, it could not grant the right to manufacture such device by means of a license under such patents. The

most that it could and did grant by the act of licensing was its permission to the licensee to use the inventions claimed in such patents with immunity from suit under such patents.

Therefore, we contend that the direct decision of the Circuit Court holding that the act of licensing constituted an act of infringement, and the tacit refusal of that Court to overrule the District Court's holding that the act of transferring legal title to a patent constituted an act of infringement are in conflict with the above decisions of this Court.

It is clear from the record that the Circuit Court intended that its above holding be literally construed and not in any way connected with the subsequent acts of Rilling-Arnao Company (licensee) in making, using and selling the device. This is because it is an agreed fact that there is and was no connection whatsoever between any of the petitioners and the licensee (Rilling-Arnao Company) other than that of licensor and licensee. None of the petitioners had any stock or interest in that company, was not an officer or employee, or shared in its profits or losses, and none received any consideration from it, money or otherwise, other than the royalties paid to petitioner Keelmo Co. (R. 125). In addition to this the acts of the licensee (Rilling-Arnao Company) were in themselves legal and did not constitute an infringement of the patent in suit. This is because the Circuit Court of Appeals for the Ninth Circuit in its prior decision (R. 135) held that the patent was totally invalid for want of invention except as to these particular petitioners. Consequently, the patent being invalid as to the licensee (Rill-

ing-Arnao Company) (the Court directly held that it was invalid as to the selling agent of Rilling-Arnao Company, to-wit, Beauty Shop Supply Co., Inc.), the licensee (Rilling-Arnao Company) in making, using and selling the devices committed no act of patent infringement. Consequently, there was no tort or complete infringement to which these petitioners could contribute by the act of licensing their patent. In the act of selling the patent, there is nothing in the record which even intimates that the vendee of the patent ever made, used or sold any devices whatsoever or committed any other acts of infringement of the patent in suit.

Therefore, it is manifestly clear that the Circuit Court of Appeals for the Ninth Circuit in holding "The act of licensing Rilling-Arnao Company to manufacture and sell the infringing device was itself an act of infringement" ignored the limitations of the patent grant as set forth in Sec. 4884 R. S. (U. S. C. Title 35, Sec. 40) and the doctrine of the case of *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336.

Further, by its tacit refusal to overrule the District Court's holding that a sale of a patent constitutes an act of infringement, it likewise ignored the limitation of the patent grant and the prior fundamental law as to what constitutes an act of infringement.

It is also manifest that in so holding, the Circuit Court of Appeals for the Ninth Circuit by judicial legislation expanded the grant to patentees conferred by Sec. 4884 R. S. (U. S. C. Title 35, Sec. 40) by enabling patentees to exclude subsequent inventors from granting licenses under or selling patents upon subsequent inventions.

III. THE ACT OF GRANTING A LICENSE UNDER A PATENT OR THE ACT OF SELLING A PATENT WITHOUT ANY PARTICIPATION OR COOPERATION IN THE MANUFACTURE OF THE INFRINGING DEVICES DOES NOT CONSTITUTE AN ACT OF CONTRIBUTORY INFRINGEMENT.

In that we have shown that the act of licensing in and of itself is legal and the act of the licensee in manufacturing, selling and using the devices was legal in that the patent was invalid as to such licensee, there was no infringement to which to contribute. This Court in *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, held that an act which in itself was a legal act could not be construed as an act of contributory infringement.

It has heretofore been the uniform rule that there can be no contributory infringement without an infringement to contribute to, or, in other words, without actual, direct, and complete infringement, existing or threatened in the territory covered by the patent. *Cincinnati Galvanizing Co. v. Marquette Tool and Mfg. Co.*, 26 Fed. (2d) 593, 594 (C. C. A. 7); *Bullock Elec. Co. v. Westinghouse*, 129 Fed. 105 (C. C. A. 6).

Therefore, the decision of the Circuit Court of Appeals for the Ninth Circuit, which holds that regardless of whether there is any act of direct infringement, that the act of licensing and the act of selling a patent can constitute an infringement (and it is not clear whether the Circuit Court of Appeals for the Ninth Circuit intended to mean contributory infringement), departs from the uniform rule of the various circuits, and we, therefore, respectfully urge that this Court exercise its discretionary powers to settle the question in the interest of uniformity.

CONCLUSION.

Certainly, the questions here presented are of paramount public interest because if the decision of the Circuit Court of Appeals for the Ninth Circuit holding that an act of granting a license and its tacit approval of the ruling that an act of selling a patent constitutes an act of patent infringement are permitted to stand, such decision will thereby broaden the scope of patent monopoly and opens new avenues for patentees to pursue in seek of revenue. In so holding, the Circuit Court of Appeals for the Ninth Circuit established new legal precedent creating new rights and remedies for the benefit of patentees, imposing new obligations on licensors and assignors and expanding the hitherto well defined limits as to what constitutes the tort of patent infringement.

This Court has previously recognized that questions of patent law concerning the breadth and scope of patent monopoly are questions of great moment to the public generally. *Precision Instrument Mfg. Co. v. Automotive M. Machine Co.*, 324 U. S. 806; *United Carbon Co. v. Binney & Smith Co.*, 317 U. S. 228, 233; *Muncie Gear Works v. Outboard M. & Mfg. Co.*, 315 U. S. 759, 786.

Therefore, your petitioners respectfully submit that the questions of law involved are of great importance and should be determined by this Court.

Dated, San Francisco, California,
June 3, 1946.

Respectfully submitted,
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